Increasingly, *program purchasing and scheduling decisions moved toward corporate or group management and away from local television stations*. This is partly the result of the rapidly increasing costs of acquiring programming (as a percentage of a station's operating budget and expense versus revenue) and also because of the greater negotiating clout a group programming executive has when bargaining on behalf of several television stations—as opposed to the leverage a single station has.

At the group level, there are generally one or more programming executives. Frequently, upper management is involved in negotiating for programming on a group level, especially because of the consequences for multiple stations and the huge dollar amounts involved—often tens of millions for a single buy. These upper-level executives may include the CEO, president, CFO, executive and senior vice presidents and even owners. A lot of money is involved, and a single program buy usually affects several surrounding programs as well as advertising revenues.

At the station level, the people most commonly involved are the general manager, the business manager (financial person) and the program director (also called program manager, director of programming, or other similar titles). Many important program purchasing or scheduling decisions may be made by corporate management or station owners, bypassing the local general manager and program director altogether. These corporate executives, including the group programming executive, are generally not located in the same city as the station itself, a potential source of friction and poor judgment. In another twist, because of consolidation, the same program director may program two stations in the same market that are owned and/or operated by the same company. While in effect these stations compete against each other, the programmer will likely set up complementary program schedules on the two stations, hoping to maximize viewership on both of them.

The National Sales Rep

The outside party involved in the syndication chain is the *rep programmer*, who works for the national station sales representative firm that sells national advertising time for the station. The rep programmer acts as an ally for and consultant to the station about programming buys. In recent years, there has been much consolidation in the sales representative business, leaving just three major rep firms, each of which has separate sales organizations/divisions under its corporate ownership. This structure enables the firms to represent more than one television station in the same market, since the "separate" sales divisions within the same firm "compete" with one another.

- Clear Channel-owned **Katz Media Group** has Millenium (formerly Seltel and Katz Independent), Eagle and Continental divisions.
- Cox-owned **TeleRep** consists of MMT, TeleRep and HRP divisions.
- **Petry Media**, owned by Petry, has Petry and Blair divisions.

These companies (and several smaller ones) are station representatives, *national sales organizations selling commercial airtime on behalf of local television stations*. The media gorillas, ABC, CBS, FOX and NBC O&Os, are self-repped and have their own major rep divisions. Similarly, Univision stations and a few other large television stations are also self-repped. The names of station reps can be seen in trade publication articles, in advertisements, on research materials, in directories and even on television station letterheads.

Although the station representative is primarily a *sales* organization, reps do provide additional services to client stations including *marketing support, sales research, promotion advice* and *programming consultation*. Generally, the bigger the station, the more help that's offered, though the need is greater at smaller stations. Through these support services, the reps help client stations improve their performance in terms of audience delivery, which in turn leads to increases in advertising rates and, presumably, increased profitability for the station—and the rep, of course. (Although revenues may go up, profitability for the station sometimes does not because of increased programming and operating costs and other expenses.) Usually, no additional

6.5 The National Sales Rep

Reps sell commercial airtime on local client stations to *national spot* advertisers. As the advertising agency represents the advertiser in buying commercial time, the station rep represents its client station in selling the national time. Local stations sell commercial time to local merchants and other advertisers within their markets, and all commercial stations employ a *local* sales force for this purpose. In most cases, it is not economically feasible for a single station to employ a sales force to sell commercial time to *national* advertisers because there are far too many advertisers and advertising agencies in too many cities to be covered by a station's sales force. That's where the rep comes in. Rep firms employ sales people in major cities on behalf of local stations to sell to advertisers in those cities. (Several of the dozen or so reps have offices in more than 20 cities.) Because reps sell on behalf of many stations, they can maintain sales forces of hundreds of people, selling on behalf of dozens of stations. The largest station representatives have client stations in as many as 200 markets.

The rep receives a negotiable commission from its client stations for the commercial time the rep sells. As a rule of thumb, a 10 percent commission rate is the industry norm, but because of the competitive nature of the rep business, such considerations as the overall state of the economy and market size may cause the commission rate to vary widely. Stations in larger markets and stations owned by large group broadcasters often pay only single-digit commission rates to their representative. Conversely, stations in smaller markets generally pay a higher commission rate because the dollar volume is considerably less than in large markets.

fee is charged for support services; they are included in the rep's sales commission (see 6.5). The major rep firms have programming staffs that work with programmers at client stations to shape and guide the stations' programming schedules.

Rep programmers provide ratings information that may support or call into question information that syndicators supply, and they advise client stations on the programs that will attract the most viewers in the demographic groups advertisers most desire to reach. At the same time, rep programmers must consider each station's programming philosophy, the mores of the community, and the quality of each program. (While all stations might like to carry *Jeopardy!* if they could, not all want to carry *The Jerry Springer Show*.)

One of the rep's most important functions is to regularly disseminate generic national research information and market-specific research to client stations. Most reps maintain close contact with all the big networks (ABC, CBS, FOX, NBC, CW and Univision), enabling them to supply an affiliate with competitive information regarding the other networks. Reps also publish ratings summaries and analyses of new programs, and they provide exhaustive ratings information after each rating sweep period. Because of their national overview of programming and their own experience and that of their colleagues, rep programmers can often look at programming decisions from a broad perspective not available to a local station's general manager or program director.

Program Acquisition

Syndication is the arena in which most programmers expend much of their energies—and with good reason. *For most stations, the money spent annually to acquire syndicated television shows is their single largest expense.* The station that buys a syndicated program that turns out to be a dud or the station that overpays for a syndicated show may be in financial trouble for years to come. And the station that makes several such mistakes (not uncommon) has serious problems.

The general manager and the program director get recommendations from their rep on which shows should be acquired, along with a rationale for the acquisition and recommendations on the program's placement in the station's lineup. Although reps spend most of their time dealing with syndicated programming and therefore work closely with syndicators, agency reps do *not* work for the syndicators. *Reps work for the stations*; rep firms are paid commissions by client stations based on advertising sales.

Both the station program director and the rep programmer spend many hours meeting with syndicators, listening to sales pitches, and watching videocassettes or DVDs of sales pitches, research information, program excerpts or actual pilots. In the pitch, the syndicator's salesperson tries to convince the programmer of the program's merits and that the program, if scheduled on the station, will improve the station's ratings. Although the reps do not actually purchase the program, and although the syndicator must still pitch the station programmers directly, a rep's positive recommendation to the station paves the way for the salesperson when he or she contacts the station. Most syndicators' agents maintain close and frequent contact with the station program director and the reps. They inform reps of ratings successes, changes in sales strategy, purchases of the program by leading stations or station groups, and any other information they feel may win support from the rep. Syndicators often try to enlist the rep's support for a show in a specific time period on a specific station the rep represents.

Syndicators can be good sources of information about competing stations in a given market because they generally deal with all stations in a market and have a good idea of each station's programming needs and philosophy. Frequently, syndicators inform reps of programs during their developmental stages—like trial balloons that serve as a way to gauge the rep's reaction prior to beginning a sales campaign or shooting a pilot of a program.

Syndicator contacts with reps do not replace contact between syndicator and station. Rather, syndicators take a calculated risk with reps to gain support for a program. If a rep dislikes the show or does not feel it suits a station's needs, the rep's advice to the station can damage the salesperson's efforts.[4] Many stations have refused to buy syndicated shows because their reps did not endorse them.

Scheduling Strategies

When a television station acquires a program from a syndicator, its managers generally have a pretty good idea of how they will use the show. Normally, they look not only for a program that meets their needs but also for one that fits certain scheduling and business-deal criteria. As discussed in Chapter 2, several scheduling strategies are widely accepted.

- **Stripping**. Syndicated series can be scheduled daily or weekly, and programs that run daily in the same time period Monday through Friday are said to be stripped. In the case of off-network programs, 65 episodes (three network seasons) are generally considered the absolute minimum for stripping, allowing 13 weeks of Monday to Friday stripping in syndication before a station repeats an episode. As explained earlier, between 100 and 150 episodes are considered optimum for stripping, whereas 200 or more episodes can be a financial and scheduling burden to a station. Of course, first-run daily programs are created specifically for stripping. Typically, game show and comedy producers will generally shoot 195 original episodes (39 weeks) a year, with 65 episodes (13 weeks) repeated. However, some first-run strip shows will be produced fresh every day with no repeats (260 episodes over 52 weeks), as in the case of timely magazine shows like *Entertainment Tonight*.
- **Audience flow**. As a general strategy, programmers try to schedule successive shows in a sequence that maximizes the number of viewers staying tuned to the station from one program to the next. The shows flow from one to the next, with each building on its predecessor. The lead-in and lead-out shows are carefully selected to be compatible with a program in any given time period. Theoretically, the audience flows with the shows. Additional audience may flow into the program from other stations and from new viewers just turning on their television sets. Thus, audience flow is a combination of (1) *retention* of existing audience from lead-in, (2) *channel switching* from other stations and (3) attraction of *new tune-in* viewers.

- **Counterprogramming**. This tactic refers to scheduling programs that are different in type and audience appeal from those carried by the competition at the same time. For example, within one market from 4 to 5 P.M. Monday through Friday, station WAAA might schedule a talk show, WBBB might carry two court shows, WCCC might carry a magazine show and a reality show, WDDD might carry two situation comedies, and station WEEE might also schedule two sitcoms. And with WDDD and WEEE both carrying situation comedies opposite one another, one station might schedule sitcoms with ethnic appeal against the other station's general-appeal sitcoms, hoping to pick up a disproportionately large share of minority viewers. Thus, all stations are counterprogramming each other. In another example, within one market during prime time at 10 P.M., while the ABC, CBS and NBC affiliates carry network entertainment programs, the FOX, UNI and CW affiliates might schedule news. While the ABC, CBS and NBC affiliates air late-evening news at 11 P.M., the other stations might counterprogram with situation comedies, reality shows and other non-news programming. Again, one station might schedule programs with strong appeal to minority viewers in hopes of picking up additional viewers in what has become a highly competitive and increasingly fractionalized marketplace.

Deal Points

When the syndicator approaches the station or rep programmer, he or she outlines the terms and conditions of the offering. Most deals include the following deal points or terms:

- **Title.** In the case of programs entering syndication after a network run, the syndication title may be slightly different from the network version. Sometimes the title of a first-run program is changed from the time the program is marketed to the time it starts airing, often in an attempt to entice more people to watch the show.
- **Description of the program.** This includes whether it is first-run or off-network, the story line or premise and other pertinent information. While not an actual deal point, the syndicator may also indicate potential strong points for audience appeal, including gender (for example, sitcoms having high female appeal or sports shows with strong male appeal), age (reality dating shows with young adult appeal or sitcoms that have kid/teen appeal), or ethnic (sitcoms with large minority casts).
- **Cast, host, or other participants.** Big-name or emerging talent is often a draw. In some cases, an ethnic host or cast may be a selling point. If additional episodes of a series are planned, notice of long-term contracts with the talent has value.
- **Duration.** The program may be 30, 60 or 90 minutes long, or another length entirely.
- **Number of episodes.** This point includes original episodes and repeats. Sometimes a minimum and maximum number of episodes are offered.
- **Number of runs.** The syndicator indicates the maximum number of times the station may air (*run*) each episode. In situations where a single company owns two stations in the same market, a provision might be negotiated in the contract to allow the program to run on either station, but the total number of runs in aggregate on the two stations will generally be the same as if only a single station were to run the show. In large part this has to do with the amount of money paid by the syndicator or production company in residuals to actors, talent, producers, directors and other creative personnel and the amount paid in music licensing and other rights payments. Generally, the greater the number of runs permitted, the higher these payments will be, regardless of the number of stations carrying the program. These additional payments go right out of the syndicators and/or the production company's bottom line, hence reducing profits. Another factor limiting the number of runs in syndication might include future sale to cable networks, which affects both the term (length) of the contract and the number of runs during that period.
- **Start and end dates.** Programs are sold for specific lengths of time, such as six months, one year, three-and-one-half years, five years or seven years. They may be sold months or years in advance of the start date (called *futures*).

- **Commercial format.** Each show is sold with a fixed number of commercial spots. For example, a typical half-hour program might be formatted for (1) *six-and-a-half internal commercial minutes* (in other words, thirteen 30-second units) in two breaks of two minutes each and one break of two-and-a-half minutes within the program plus (2) an *endbreak* (external) following the program, typically of 92 seconds. Some of the commercial time within the program may be retained by the syndication company for sale to its own national sponsors; this is considered *barter time* and is part or all of the license fee.
- **Price.** The cash price may be stated as either a *per-episode fee* (which is one inclusive amount for all runs of a single episode) or as a *weekly fee* (a fixed amount regardless of the number of times each episode is ultimately shown). The price charged for a program will generally vary by market size, with *stations in larger markets paying more for a program than stations in smaller markets would pay because at any given rating, there are more viewers per rating point in larger markets than in smaller ones.* Therefore, stations in larger markets can charge more for commercial airtime and with those higher revenues can pay more for programming than stations in smaller markets can. However, competition for a certain program in a highly competitive market can result in a higher license fee than in a somewhat larger market that is less competitive. Reasons for competitive levels can include the number of stations in a market (*more stations means more competition for a show and fewer shows to choose from—each show has a better chance of being sold because there are more potential customers*), more intense rivalries between competing stations or corporate owners, and the personalities and abilities of the programmers and the syndicators. Keep in mind that highly successful shows like *Jeopardy!* and *Dr. Phil* can command significantly higher license fees than less popular programs. Often the "buzz factor" has something to do with program pricing, like a car or movie that becomes hot because people are talking about it and not necessarily because it's the best car or movie for the price. A syndication company's sales, research and publicity people can often create or enhance a program's perception in the marketplace. The price goes up for the show everybody is buzzing about, like Oscar winners.
- **Payment method.** Programs are sold for cash, for barter or for cash-plus-barter.
- **Down payment.** In cash or cash-plus-barter deals, the syndicator might request a down payment (typically 10 to 20 percent) when the contract is signed, which is sometimes several years before the station receives the rights to the show.
- **Payout.** Cash the station still owes to the syndicator (after the down payment) must be paid when the program begins to air. Typically, the balance is paid in installments over the life of the contract, similar to mortgage or auto loan payments.

Syndicator/Rep Rules

The relationship between syndicators and reps is generally friendly and mutually dependent. The syndicators need the reps' support in client markets; the reps need to get programming information from the syndicators. Yet the relationship must also be guarded. Because the reps are agents of their client stations, they must maintain their independence from the distributors with an impartiality befitting the trust placed in them by the stations.

Therefore, certain unwritten rules govern the relationship between syndicator and station rep. *Reps rarely make blanket program recommendations, and they do not endorse any particular syndicator.* Although reps often support or oppose a particular genre or programming trend, they are generally quick to point out that not every station in every market necessarily can be included in their assessment. Few programs will appeal equally in every market, and the stations' competitive needs differ greatly from market to market.

Another unwritten rule is that *rep programmers do not supply syndicators with privileged client-rep information.* As an extension of the station, the rep programmer does not want to supply information to syndicators that would help the syndicator negotiate

6.6 NATPE Pitching Contests

If or when you get a job in programming, you are likely to attend an annual NATPE conference. The sale of programs to stations is so integral to how programmers do their jobs that you might encounter a "pitch" competition, which is centered on the strategic considerations already presented. Syndicators attempt to sell (*pitch*) a program to stations or groups of stations. In a hypothetical syndication offering of an equally hypothetical off-network program, the prospective buyer must consider

- whether or not the station actually needs the program.
- the potential danger if the show ended up on a competitor (a virtual likelihood if her station passes on purchasing it).
- whether there is another program available that might be a better acquisition for her station.
- the time period when her station would schedule the show (and a backup time period if it didn't perform up to expectations).
- the actual network performance versus the show's projected performance in syndication.
- all the research (from the syndicator, the station rep, and her own).
- the cost of the program (raising the question of whether there is money allocated in the station's five-year future budget projections for a show at this price level).

The program buyer must put aside her personal feelings or biases for or against the show (it happens to be one of her favorites; in fact, she usually TiVos it to be sure she doesn't miss an episode) and make the decision on as much of a nonemotional business basis as possible. However, even the most conscientious programmers can rarely put aside all personal feelings and overlook either positive or negative buzz in both the television industry and their own personal worlds.

against the station. Privileged information includes prices the station would be prepared to pay for programs, prices it already paid for other programs, other programs the station is considering purchasing, its future plans and strategies, contract expiration dates and any other information that might harm the station's negotiating position; however, syndicators frequently provide such information to the reps.

Ratings Consultation

Station general managers and program managers talk regularly with their national reps. Rep programmers and station sales management are also in contact, albeit less frequently (and research directors, but most stations do not even have a research department). The rep programmer occasionally meets clients, either by visiting the station or when station personnel travel to New York, where all reps are based, to meet with rep sales management and with advertising agencies. Most general managers/program directors and reps endeavor to meet with one another at the annual conventions of NATPE (National Association of Television Program Executives) and NAB (National Association of Broadcasters), as well as at network affiliate meetings.

A good working relationship between the station and the rep programmer is important. Consultation is not a one-way process; a rep does not presume to be an all-knowing authority dispensing wisdom from a skyscraper in New York. The consultation a rep programmer provides is a give-and-take exchange of ideas. *Just as the rep has a national perspective, enabling him or her to draw upon experiences in other markets, the station programmer generally knows his or her market, local viewers' attitudes and lifestyles, and the station's successes and failures over the years better than almost anybody else.*

Key Questions

Station management and rep programmers must consider some key questions as they work together.

- How well is the station's current schedule performing?

- Has there been audience growth, slippage or stagnation since the previous ratings report? Since the same period a year ago? Two years ago?
- What audience demographics are the advertisers and the station and rep's sales departments seeking? Is current programming adequately delivering those demos?
- Are older shows exhibiting signs of age?
- Has the competition made schedule changes that have hurt or helped the client station?
- Does the client own programs that can be used to replace weak programs, or must the client consider purchasing new programs for weak spots?

Generally, a station seeks audience growth over previous ratings books. Of course, for one or two stations to experience audience growth, other stations in the market must lose audience. And competition from cable and online also siphons viewers away from over-the-air broadcast television. The rep programmer seeks to help the station stem audience erosion and create growth instead.

Reps also help station programmers analyze the most recent ratings report. Both parties look for trouble spots. If a program is *downtrending* (showing a loss of audience from several previous ratings periods), the programmers may decide to move it to a different, perhaps less competitive time period. Or they may decide to take the show off the air entirely, replacing it with another program. Sometimes a once-successful but downtrending program can be *rested* or "put on hiatus," perhaps three months minimum to a year maximum, or for a part of the year, such as the summer. When the program returns to the air from hiatus, it often recaptures much of its previous strength and may run successfully for several more years. (*If the station does take the program off the air, it must still pay the cash portion of the license fee to the syndicator, and it must run the barter spots in the agreed-upon time period where the show had run, so this is not an easy decision.)*

The programmers may also note that a certain daypart is in trouble. A wholesale revision of that part of the schedule may be in order. They may need to rethink a station's programming strategy to decide whether current programming is still viable or whether the station should switch to another genre. For example, if a two-hour off-network action-drama block is not working, should the station switch to sitcoms or talk shows? A change of this magnitude is often quite difficult to accomplish, for the station usually has contractual commitments to run current programming into the future. Also, most viable programs of other genres are almost certainly already running on other stations in the market. It is usually easier to rearrange the order of the existing shows to see if a different sequence will attract a larger audience. It is also far easier to replace a single show than an entire schedule block.

Although household ratings are an important indicator of a program's relative performance, programmers are primarily concerned with *audience demographics*. Though there are dozens of demographic groupings, the most important demos are women 18 to 34 years old (W18–34), women 18 to 49 (W18–49), women 25 to 54 (W25–54), men 18 to 34 (M18–34), men 18 to 49 (M18–49), men 25 to 54 (M25–54), teenagers (T12–17) and children (K2–11). Generally, these are the demographic groups most desired by advertisers and therefore the target audiences of most programs, with W18–49 generally regarded as the single most important demo. Ethnic appeal can be an important consideration, especially in markets with relatively high minority populations.

Although most programs probably don't appeal equally to all of these groups, programmers try to schedule shows that reach at least several of these demos at times of the day when those people are available to watch television. Even if a program is not number one or two in household rating and share, a strong performance in a salable demographic may make the program acceptable despite the household rating. For example, the program may be number two or three in household rating and share but may have very strong appeal to young women, making it number one in the market in W18–34 and W18–49. And strong ethnic appeal to Hispanics or African-Americans may be an important factor in many markets. These groups have attractive demographics for many advertisers. Thus, the program might be acceptable for the station's needs despite its lower household ratings performance.

In another example, the program might be the third-rated show in its time period but may have exhibited significant ratings growth over previous ratings books. Therefore, the programmers may decide to leave the program in place because it is *uptrending* rather than downtrending. They may decide instead to change the lead-in show to try to deliver more audience to the target show. They may also decide to promote the show more to build audience.

A key issue in all these decisions is that *programming is usually purchased far in advance of its actual start date*. In the autumn of any year, stations are already planning for the following September, even though the current season has barely begun. Successful first-run shows are often renewed for several years into the future. Off-network programs are frequently sold two or three years before they become available to stations in syndication.

Once purchased, the station is committed to paying the agreed-upon license fee to the syndicator regardless of the program's subsequent network or syndication performance. Not uncommonly, a once-popular network program will fade in popularity in the two or three years between its syndication sale and its premiere in syndication. Although the station may be stuck with a program of lesser value than originally perceived, the syndicator does not waive or offer to drop the license fee. A deal is a deal. Conversely, some network shows increase in popularity as they continue to run; a station that bought early may pay a smaller license fee than it would if it had purchased the program a year or two later when its popularity was greater. Reps and their client stations thoroughly research, analyze and plan acquisitions carefully in order to purchase wisely—and then they place their bets and cross their fingers.

Research Data

As you can imagine, much station/rep consulting time is spent preparing information, researching program performance and formulating programming strategy using ratings information from Nielsen Media Research. Station, syndicator and rep programmers and salespeople regularly use the quarterly ViP ratings books to make programming decisions, sell syndicated shows and sell advertising time. The syndicators and reps also have available to them additional Nielsen ratings information not generally purchased by stations because of its cost. These Nielsen studies include both national and local market reports. We repeat some reports already mentioned in Chapters 2 and 5 because here their relevance to *local* and *group* stations are what matters. Even reports focused on network programs tell local and group programmers how a possible future buy is doing now on the nets, and everyone in this business plans years ahead (or should).

National Reports

- **NTI.** *Nielsen Television Index,* based on people meters, provides daily ratings performance on a national basis for all network programs, including household and demographic audience estimates. The NTI ratings are also available as a weekly pocketpiece.
- **NTI Pocketpiece.** *The Nielsen Television Index Pocketpiece Report* weekly report provides national household and persons audience estimates for sponsored broadcast network programs. The *Pocketpiece* provides demos and household numbers for various dayparts. It is small enough to fit into a man's suit jacket pocket (hence the name) or a woman's purse, making it handy on sales calls. The *Pocketpiece* is also the oldest and best known Nielsen report.
- **Galaxy Explorer.** Nielsen's overnight NTI service provides national household ratings and shares and HUT levels. As a Windows-based system, users can analyze broadcast, cable and syndication audience estimates across user-selected demographics and user-defined dayparts for programs and time periods on both a daily and a weekly basis.
- **Galaxy Lightning.** Galaxy Lightning is a quick way to process standardized reports and to load data onto spreadsheets, which can then be manipulated and printed.
- **NPOWER.** Nielsen's NPower is a software package that allows individual users to analyze Nielsen data and create custom ratings reports on desktops or

laptops. Subscribers can access a centralized Nielsen database, which is continually updated by Nielsen. The data includes audience estimates for broadcast, cable, syndication and Hispanic viewing.

- **NAD.** Nielsen's *National Audience Demographics Report* provides comprehensive estimates of viewership across a wide range of audience demographic categories. The *NTI NAD* is published monthly in two volumes and provides information on national network program viewership. The *NSS NAD* is a monthly book providing similar data for syndicated programming. *CNAD* is a quarterly report of cable network viewership. Unlike the other NAD reports, *CNAD* does not provide data on individual programs; it provides viewing estimates only for time periods and dayparts.
- **HTR.** Nielsen's monthly *Household Tracking Report* tracks program performance by individual network within half-hour time periods.
- **PTR.** Nielsen's monthly *Persons Tracking Report* tracks program performance in terms of household audiences and viewers per 1,000 viewing households (VPVH). The PTR includes both regularly scheduled programs and "specials."
- **CPT.** The *Household and Persons Cost Per 1000 Report* is an NTI report that gives advertising agency media planners and buyers estimates of the efficiency of network audience delivery.
- **HUT.** Nielsen's quarterly *Households Using Television Summary Report* provides HUT levels for individual half-hour time periods for individual days and weeks.
- **NTAR.** Nielsen's quarterly *Television Activity Report* compares the audience levels of all broadcast network affiliates, independent television stations, PBS stations and individual basic and pay cable networks.

Local Market Reports

- **NSI.** Since 1954, the *Nielsen Station Index* has been the system used to measure viewership in local Designated Market Areas (DMAs), including local commercial and public broadcast stations, and viewership of some national cable networks, superstations and spill-in stations from adjacent markets. *NSI* provides metered market overnight ratings reports in more than 50 major markets and diary measurement in all Nielsen DMAs.
- **ViP.** Nielsen's *Viewers in Profile* report is the bible of local television stations, the infamous "book" by which stations (and sometimes careers) live and die. Most commercial TV stations subscribe to this report because they use it as the basis for the advertising rates the stations charge. All advertising agencies, syndication companies, and station reps get this report as well. Using NSI data, the *ViP* books show viewership over specific four-week periods (the "sweeps") in quarterly reports (November, February, May, July) in 210 markets and in October, January and March in selected large markets. The information is broken down for dayparts, programs and individual quarter hours. Ratings and shares are shown for households and key demographic groupings based on age and gender. There is also a very useful section that tabulates viewership as thousands of people rather than as rating or share. The data is shown as a four-week average and is also broken out for the four individual weeks and the 28 days of the ratings period. Both program averages (showing data for only a single program as a single number for the entire length of the show) and time period averages (which may include two or more programs in the same time period during the four weeks and are broken down by quarter hours or half hours) are provided.
- **NSS Pocketpiece.** Nielsen's *National Syndication Service* weekly report provides national audience estimates (in small size) for barter programs distributed by subscribing syndicators or occasional networks, including barter specials, syndicated sporting events and barter movie packages. (This is not the same as the network PT pocketpiece. Programmers are expected to have lots of pockets.)
- **ROSP.** Nielsen's *Report on Syndicated Programs* provides a complete record of all syndicated programs. The *ROSP* aids in the selection, evaluation and comparison of syndicated program performance.
- **Network Programs by DMA.** Nielsen's reports provide audience information for network programs by station within each DMA (market).

- **DMA TV Trends by Season.** This Nielsen report shows viewing trends throughout the year for all DMAs. It is produced once a year following the July ratings period.
- **TAR.** Nielsen's quarterly *DMA Television Activity Report* compares the audience levels of all broadcast network affiliates, superstations, independent television stations, PBS stations and individual basic and pay-cable networks. This report is similar to Nielsen's national NTAR report, except it is for individual local markets and includes spill-in stations from other markets.
- **NSI Report on PBS Program Audiences.** This report shows viewership of public television during each of the major ratings sweeps periods (November, February, May, July).
- **NSI Report on Devotional Program Audiences.** This report shows viewership of religious programs during each of the major ratings sweeps periods (November, February, May, July).
- **NHSI.** The *Nielsen Hispanic Station Index* report evaluates Spanish-language television viewing in 16 local markets that have significant Hispanic populations.
- **Galaxy Navigator.** Similar to Galaxy Explorer, Nielsen's Galaxy Navigator provides household ratings and shares and HUT levels for the individual local metered (overnight) markets. Using a Windows-based program, Galaxy Navigator enables the user to manipulate the reported data to customize reports.
- **Galaxy ProFile.** Galaxy ProFile is a PC-based analysis tool that the client can use to manipulate Nielsen data for all DMAs. Users can study the performance of individual programs across any and all markets, including comparisons in user-selected demos and with previous sweeps performances. Galaxy ProFile also provides time period analysis, genre analysis (that is, game shows, talk shows and so on), program block analysis, benchmark analysis and grid analysis.

In addition to this mountain of reports, which may also be purchased by syndicators, major station groups and large-market stations, Nielsen offers various internet (Media Metrix), sports, DVD, game-show, local-cable, pay-cable and other studies. If all this isn't enough, Nielsen can prepare special research reports exclusively for an individual station or tailored for a group of stations such as a rep firm's client list. (But your station better be in deep doo-doo to justify that expense!)

Specialized Program Analysis

Before the advent of personal computers, Nielsen provided printed reports to stations, syndicators and station reps, often at significant expense. Now the station reps themselves provide much customized research formerly available only from Nielsen. One example of such customized ratings research is the Katz Comtrac system, which has become an industry-standard research tool because it provides easy-to-use comprehensive overviews of station and program performances (see 6.7). Nielsen originally computed the Comtrac reports on its mainframe computers and then printed them as books, but since the late 1980s Katz has prepared the reports in-house for its clients on its own PCs more quickly and at significantly lower cost. Katz now distributes the reports to its client television stations on CD-ROMs. The stations can then analyze the data on their own computers, printing only the individual reports in which they are interested.

Katz's first page for *Friends* (one of several pages that cover all markets) tracks the show's shares in syndication in a condensed format. It shows which stations in which markets purchased *Friends* and when they scheduled it. As you can see, it then lists the shares for the time period performance in the three previous ratings books (May 2003, November 2003, and February 2004, as well as May 2004 in this example), also telling what kind of lead-in *Friends* had and the lead-in's shares.

In some cases *Friends* was not the program in the time period in previous ratings surveys, so the performance of whatever previous program was in the time period is shown. The previous program is indicated by a small letter next to the share number,

6.7 Comtrac Sheets for Friends

FRIENDS

Demos : HH = Homes, W1 = W18-49, W2 = W25-54, M3 = M25-54								May '03 LI SH	May '03 HH SH	Nov '03 LI SH	Nov '03 HH SH	Feb '04 LI SH	Feb '04 HH SH	May '04 Hr Leadin	HH SH	May '04 Target HH RT	HH SH	%CHG May '03	W1 SH	W2 SH	M3 SH	May '04 Hr Leadout	HH SH	May '04 Top Competitor		LI SH	HH SH	W1 SH	May '04 2nd Competitor		LI SH	HH SH	W1 SH
32	CINCINNATI	WXIX	F	19	20T	7:30P	M-F	11	12	9	10	9	11	FRIENDS	7	4.3	8	-33	17	15	14	VARIOUS	12	WKRC	ENT TONIGHT 30	17	15	20	WCPO	JEOPARDY	18	14	16
33	MILWAUKEE	WVTV	W	18	20T	6:00P	M-F	4	7	4	7	4	6	KING OF QUEENS	4	2.4	5	-29	11	11	3	EVRYBDY-RAY MF	8	WTMJ	6P REPORT	20	19	11	WISN	WISN 12 NEWS	16	15	15
33	MILWAUKEE	WVTV	W	18	20T	10:30P	M-F	6	7	6	7	5	6	EVRYBDY-RAY MF	5	2.4	5	-29	8	8	3	KING-QUEENS B	7	WTMJ	TONITE SHW-NBC	22	19	19	WISN	ACCESS HOLLYWD	16	11	12
34	COLUMBUS, OH	WTTE	F	28	20T	6:00P	M-F	13	13	12	12	12	12	SIMPSONS B	10	4.9	10	-23	22	18	15	WILL & GRACE	9	WCMH	NEWSCH 4 AT 6	16	17	16	WBNS	10-EYWT NWS-6P	17	17	14
34	COLUMBUS, OH	WTTE	F	28	20T	11:00P	M-F	8	8	8	8	10	9	NEWSCENTER-10P	10	4.4	8	0	16	14	6	EVRBDY-RY MF B	9	WCMH	NEWSCH 4 AT 11	18	20	24	WBNS	10TV NIGHTBEAT	20	19	15
35	GREENVILLE-SPAR	WHNS	F	21	20T	6:30P	M-F	7	6	6	7	7	7	THAT 70S SHW B	8	3.8	7	17	14	12	14	FRIENDS B	7	WYFF	NBC NITELY NWS	16	15	15	WLOS	ABC-WORLD NWS	12	13	9
35	GREENVILLE-SPAR	WHNS	F	21	20T	7:00P	M-F	6	7	7	8	7	7	FRIENDS	7	3.8	7	0	14	13	12	SEINFELD	7	WLOS	WHEEL-FORTNE	13	15	10	WYFF	ENT TONIGHT 30	15	13	12
36	SALT LAKE CITY	KJZZ	I	14	20T	5:30P	M-F	7	8	7	7	5	4	HOME IMPROV MF	5	2.5	6	-25	21	9	8	FRIENDS	6	KSL	NBC NITELY NWS	11	16	13	KUTV+	2 NEWS AT 530P	16	14	16
36	SALT LAKE CITY	KJZZ	I	14	20T	6:00P	M-F	8	11	7	8	4	6	FRIENDS B	6	3.0	6	-45	19	10	6	WILL & GRACE	5	KSL	EYWT NWS-6	16	17	16	KSTU+	SIMPSONS	9	13	17
37	SAN ANTONIO	KENS	C	5	20T	10:30P	M-F	18	13	20	13	21	13	EYEWIT NWS-10	20	6.8	12	-8	12	15	10	D LETTRMAN-CBS	10	WOAI	TONITE SHW-NBC	18	16	14	KSAT	INSIDE EDITION	16	11	9
38	GRAND RAPIDS-KA	WOOD	N	8	20T	7:30P	M-F	5	7	9	9	11	9	INSIDE EDITION	10	3.4	8	14	9	10	8	VARIOUS	14	WWMT	JEOPARDY	25	23	15	WXMI	EVRYBDY-RAY MF	9	10	14
38	GRAND RAPIDS-KA	WXSP	U	15	18T	10:00P	M-F	2	1	2	2	2	1 a	VARIOUS	1	0.4	1	0	1	1	1	KING OF QUEENS	1	WOOD	VARIOUS	17	16	20	WWMT	VARIOUS	18	16	14
39	WEST PALM BEACH	WPEC	C	12	20T	7:00P	M-F	10	8	11	8	11	8	CBS EVE NWS	11	3.5	6	-25	10	8	8	ENT TONIGHT 30	7	WPTV	EXTRA	26	16	17	WPBF	WHEEL-FORTNE	8	16	9
39	WEST PALM BEACH	WTVX	U	34	20T	11:00P	M-F	4	3	3	3	3	3	VARIOUS	3	1.7	3	0	5	4	2	JUST SHOOT ME	3	WPTV	NWSCHNL5 AT 11	18	19	15	WPEC	NEWS12-11.00	18	16	17
40	BIRMINGHAM	WTTO+	W	21	20T	5:30P	M-F	5	5 b	4	5	5	7	SIMPSONS	6	3.8	7	40	12	9	14	FRIENDS B	8	WBRC	FOX6 NEWS-530P	17	15	14	WBMA+	ABC-WORLD NWS	18	14	12
40	BIRMINGHAM	WTTO+	W	21	20T	6:00P	M-F	5	8 c	5	8	7	8	FRIENDS	7	4.8	8	0	19	14	12	EVRYBDY-RAY MF	8	WBMA+	33/40 NEWS-6	14	16	12	WBRC	FOX 6 NWS AT 6	15	15	15
41	NORFOLK-PORTSMT	WTVZ	W	33	20T	7:00P	M-F	3	5	6	6	5	6	SIMPSONS B	5	3.0	5	0	12	10	9	FRIENDS B	5	WVEC	WHEEL-FORTNE	13	14	11	WAVY	ENT TONIGHT 30	14	12	15
41	NORFOLK-PORTSMT	WTVZ	W	33	20T	7:30P	M-F	5	6	6	6	6	6	FRIENDS	5	3.2	5	-17	10	9	8	VARIOUS	6	WVEC	JEOPARDY	14	14	13	WGNT	JUDGE-BROWN B	11	11	11
42	NEW ORLEANS	WNOL	W	38	20T	9:30P	M-F	6	5	5	5	5	5	EVRYBDY-RAY MF	5	3.6	5	0	6	5	3	SIMPSONS	6	WWL	VARIOUS	20	21	15	WDSU	VARIOUS	14	13	15
42	NEW ORLEANS	WGNO	A	26	20T	11:00P	M-F	4	5 d	8	8 a	5	5 d	ABC-NITELINE	5	2.2	4	-20	6	7	5	WILL & GRACE	3	WWL	D LETTRMAN-CBS	15	12	10	WDSU	TONITE SHW-NBC	10	9	7
43	MEMPHIS	WHBQ	F	13	20T	10:30P	M-F	8	11	7	10	8	10	KING OF HILL R	8	5.6	9	-18	13	13	9	THAT 70S SHOW	11	WMC	TONITE SHW-NBC	20	13	11	WREG	D LETTRMAN-CBS	18	13	10
44	BUFFALO	WIVB	C	4	20T	7:30P	M-F	14	10	15	9	15	9	INSIDE EDITION	14	4.6	8	-20	12	12	11	VARIOUS	15	WKBW	JEOPARDY	17	18	14	WGRZ	ENT TONIGHT 30	8	13	15
44	BUFFALO	WNLO	U	23	20T	11:00P	M-F	2	1	2	2	2	2	ACCESS HOLLYWD	2	1.0	2	100	2	2	1	COPS	2	WIVB	NW4 BUFFALO 11	20	21	18	WGRZ	CH2 NWS NTSIDE	19	19	18
45	OKLAHOMA CITY	KOCB	W	34	20T	6:00P	M-F	5	8	6	8	3	7	ON AIR-RYAN	3	3.9	7	-12	17	11	12	FRIENDS B	7	KFOR	NWSCHANNEL 4-6	18	19	18	KWTV	NWS 9-6	13	16	13
45	OKLAHOMA CITY	KOCB	W	34	20T	6:30P	M-F	8	8	8	9	7	8	FRIENDS	7	4.3	7	-12	15	11	9	VARIOUS	9	KOCO	WHEEL-FORTNE	15	19	13	KFOR	NWSCH4-630	19	16	14
46	GREENSBORO-H.PO	WTWB	W	20	20T	6:00P	M-F	3	4 e	4	4	5	5	THAT 70S SHOW	5	2.8	5	25	11	9	9	FRIENDS B	6	WFMY	WFMY NEWS 2-6	15	17	13	WGHP	FOX8 NWS-6.00P	14	16	14
46	GREENSBORO-H.PO	WTWB	W	20	20T	6:30P	M-F	4	5 f	4	5	5	6	FRIENDS	5	3.0	6	20	13	11	10	EVRBDY-RY MF B	6	WFMY	CBS EVE NWS	17	19	13	WXII	NBC NITELY NWS	15	14	15
47	HARRISBURG-LNCS	WHTM	A	27	19T	7:30P	M-F	8	6	7	5	6	4	HOLLYWD SQUARS	7	2.3	5	-17	4	4	4	VARIOUS	6	WHP	JEOPARDY	19	19	12	WPMT	EVRYBDY-RAY MF	8	11	18
48	PROVIDENCE-NEW	WLNE	A	6	20T	7:30P	M-F	4	4 g	4	3	4	3	ENT TONIGHT 30	3	1.8	3	-25	4	5	2	VARIOUS	4	WPRI	JEOPARDY	15	15	12	WJAR	ACCESS HOLLYWD	12	10	16
48	PROVIDENCE-NEW	WLWC	U	28	20T	11:30P	M-F	3	2 h	2	3 f	2	3	WILL & GRACE	2	0.7	2	0	6	5	3	DREW CAREY	2	WJAR	TONITE SHW-NBC	24	19	31	WPRI	D LETTRMAN-CBS	14	11	11
49	ALBUQUERQUE-SAN	KASA	F	2	20T	6:00P	M-F	5	7	3	4	3	4	DHARMA-GREG	4	2.4	4	-43	8	8	7	FRIENDS B	4	KOAT+	ACTN 7 NWS-6	14	13	12	KOB	EYEWTNS NW-600	10	12	15
49	ALBUQUERQUE-SAN	KASA	F	2	20T	6:30P	M-F	7	8	4	5	4	4	FRIENDS	4	2.5	4	-50	8	7	8	VARIOUS	8	KRQE+	WHEEL-FORTNE	12	12	9	KOAT+	ENT TONIGHT 30	13	11	15
50	LOUISVILLE	WDRB	F	41	20T	11:00P	M-F	11	10	8	8	9	8	FOX NEWS AT 10	10	4.5	8	-20	16	14	7	SEINFELD	10	WLKY	NEWS CH32 11PM	22	19	19	WAVE	WAVE NWS-11P	14	16	14
50	LOUISVILLE	WDRB	F	41	20T	12:00M	M-F	10	8 i	8	7 j	10	9 j	SEINFELD	10	3.7	9	13	18	13	12	FRASIER	9	WLKY	D LETTRMAN-CBS	14	13	14	WAVE	TONITE SHW-NBC	11	10	16
51	LAS VEGAS	KVVU	F	5	19T	6:30P	M-F	8	8	8	8	9	9	THAT 70S SHW R	7	4.4	8	0	15	10	8	FRIENDS B	9	KVBC	JEOPARDY	13	15	9	KLAS	EYEWT NWS-630	12	11	9
51	LAS VEGAS	KVVU	F	5	20T	7:00P	M-F	8	10	8	10	9	10	FRIENDS	7	5.4	9	-10	14	11	10	EVRYBDY-RAY MF	8	KVBC	WHEEL-FORTNE	15	13	8	KLAS	ENT TONIGHT 30	11	12	10
52	JACKSONVILLE, B	WJWB	W	17	20T	6:00P	M-F	5	5 c	7	5	5	5	HUGHLEYS B	3	2.2	4	-20	7	7	4	JUST SHOOT ME	3	WJXT	EYEWTNS NWS@6	16	17	15	WTLV	FIRST CST NW@6	13	14	12
52	JACKSONVILLE, B	WJWB	W	17	20T	7:00P	M-F	5	6	5	6	5	6	JUST SHOOT ME	3	3.0	5	-17	9	8	7	WILL & GRACE	4	WTLV	WHEEL-FORTNE	15	14	14	WJXT	ENT TONIGHT 30	12	11	16
53	WILKES BARRE-SC	WSWB+	W	38	20T	7:00P	M-F	1	2 k	1	2 f	2	2	WILL & GRACE B	2	0.9	2	0	4	3	3	SIMPSONS	2	WBRE	WHEEL-FORTNE	12	21	11	WNEP	INSIDE EDITION	36	16	15
53	WILKES BARRE-SC	WOLF	F	56	20T	10:30P	M-F	8	4 l	8	4	6	4	FOX56 NWS-10PM	10	2.6	5	25	8	6	6	BECKER	2	WYOU	VARIOUS	15	17	15	WBRE	VARIOUS	14	15	17
54	AUSTIN	KNVA	W	54	20T	6:00P	M-F	8	10	7	8	6	7	WILL & GRACE	4	2.9	6	-40	15	13	4	FRIENDS B	6	KXAN+	NEWS 36-6	13	14	8	KVUE	24 NEWS AT 6	16	13	11
54	AUSTIN	KNVA	W	54	20T	6:30P	M-F	10	9 f	8	7 f	7	5 f	FRIENDS	6	3.3	6	-33	13	12	6	VARIOUS	5	KXAN+	WHEEL-FORTNE	14	14	8	KVUE	ENT TONIGHT 30	13	11	15
55	ALBANY-SCHENECT	WNYT	N	13	19T	12:30P	M-F	12	10	17	12	15	12	NWSCH13-NOON	11	1.6	8	-20	15	16	7	DAYS-OUR LIVES	16	WRGB	YOUNG&RESTLESS	29	31	32	WTEN+	JEOPARDY	16	11	3
55	ALBANY-SCHENECT	WNYT	N	13	20T	7:30P	M-F	13	10	15	11	15	10	ENT TONIGHT 30	13	4.3	9	-10	16	16	2	VARIOUS	14	WTEN+	JEOPARDY	21	25	18	WRGB	KING OF QUEENS	11	10	11
56	LITTLE ROCK-PIN	KLRT	F	16	20T	6:00P	M-F	2	4	4	6	4	5	KING OF HILL	4	2.6	5	25	10	7	5	SEINFELD	6	KATV	CH 7 NWS-6	27	28	18	KTHV	KTHV NEWS 6P	14	15	14
56	LITTLE ROCK-PIN	KLRT	F	16	20T	10:00P	M-F	2	2	2	2	3	3	FOX16 NWS AT 9	3	1.9	4	100	5	3	2	THAT 70S SHOW	4	KATV	CH7 NWS-NGHTSD	12	24	19	KTHV	KTHV NEWS 10P	19	23	24
57	FRESNO-VISALIA	KMPH+	F	26	20T	7:00P	M-F	13	14	12	11	17	13	EVRBDY-RY MF B	14	5.5	11	-21	14	10	9	FRASIER	7	KFSN	JEOPARDY	15	15	5	KFRE	MASH	2	4	3
57	FRESNO-VISALIA	KMPH+	F	26	20T	11:00P	M-F	16	10 c	17	5 m	14	6	10 OCLK NWS	14	2.9	12	20	19	17	10	SEINFELD	10	KSEE	KSEE 24-NWS-11	17	17	12	KFSN	ACTION NWS 11	11	16	13
58	RICHMOND-PETERS	WWBT	N	12	20T	7:30P	M-F	18	14	18	13	19	13	ENT TONIGHT 30	18	7.4	12	-14	17	17	14	VARIOUS	14	WRIC	JEOPARDY	12	12	9	WTVR	MILLIONAIRE	9	9	7
59	DAYTON	WDTN	A	2	20T	7:00P	M-F	10	9	10	9	8	9	ABC-WORLD NWS	7	3.4	7	-22	9	10	8	JEOPARDY	11	WHIO	WHEEL-FORTNE	25	25	20	WRGT	SIMPSONS	6	7	13
60	TULSA	KWBT	W	19	20T	6:00P	M-F	5	5	6	7	5	5	THAT 70S SHW B	5	2.4	4	-20	14	10	4	FRIENDS B	5	KOTV	NEWS-6	23	19	21	KTUL	NWS CH 8 AT 6	15	19	19
60	TULSA	KWBT	W	19	20T	6:30P	M-F	5	6	7	6	5	4	FRIENDS	4	2.7	5	-17	13	10	6	VARIOUS	4	KTUL	WHEEL-FORTNE	19	21	18	KOTV	ENT TONIGHT 30	19	15	20
61	KNOXVILLE	WBXX	W	20	20T	7:30P	M-F	7	8	8	9	8	9	THAT 70S SHOW	5	3.6	6	-25	14	10	10	VARIOUS	7	WBIR	JEOPARDY	23	20	19	WATE	MILLIONAIRE	14	13	10

a: VARIOUS
b: HOME IMPROVMNT
c: FRIENDS
d: EVRYBDY-RAY MF
e: THAT 70S SHW B
f: WILL & GRACE
g: ENT TONIGHT 30
h: DREW CAREY
i: CHEERS
j: FRASIER
k: THAT 70S SHOW
l: FRIENDS B
m: SEINFELD
n: KING-QUEENS B
o: KING OF HILL

COMTRAC Syndicated Program Schedules, May 2004. Used by permission.

and the title is in the footnote at the bottom of the page. For example, in San Francisco the small letter *b* indicates *Cheers* ran in the three previous time periods; in Los Angeles, *Friends* was the February 2004 program because there is no small letter next to the number.

Next the Comtrac report shows *Friends'* current lead-in and shares in each market, and then *Friends'* own shares and ratings under the heading May '04 Target (including some abbreviated demographics), and its lead-out. Finally, the Katz Comtrac page shows *Friends'* two main competing programs in each market and their audience shares.

The Decision Process

When the syndicator visits the station, he or she makes a pitch to either the general manager or the program manager or both. This occurs, we hope, after the rep has consulted with the station and provided research support combined with experience and judgment—resulting in the rep's recommendation regarding the program the syndicator is selling. The station and the rep then analyze (via email) the terms of the deal and how they might use the program, if at all.

Each programming decision is different from any other. Each show is different; each deal is different. Markets and competitive situations differ; corporate philosophies and needs not only differ but may also change over time. The personalities and opinions of the syndicator, station general manager, program director and rep programmer all enter into the decision. *Although innumerable permutations and combinations exist, the basics of the decision-making process involve an assessment of need and an analysis of selection options.*

Determining Need

Perhaps the most important part of making any programming decision is establishing whether a program is needed and determining whether the program in question is the best choice to meet that need. Sometimes this task is easy. The need may be quite obvious. For example, a first-run program that many stations carry may fail to attract a large enough national audience and be canceled by its syndicator. It needs to be replaced on all the stations carrying it. In another example, despite increased promotion and a strong lead-in, a particular program on a given station continues to downtrend in several successive books and from its year-ago performance in the time period. It needs to be replaced.

At other times the need may be less obvious. A show may perform reasonably well but show no audience growth and finish second or third in the time period. Should it be replaced? Will a replacement show perform as well, better or not as well?

When a syndicator is pitching a station, he or she tries to identify or create a need for the station to buy the particular program being offered. Although the syndicator's assessment that an existing program should be replaced may be correct, he or she is looking at it strictly from the perspective of selling a program in the market. The syndicator's need to sell a particular show may not be the same as the station's degree of need (if any) to replace an existing program. And the syndicator doesn't have to find money in an operating budget to pay for the program, even if it fails to perform up to expectations. (When people buy new cars or televisions or hair dryers, they come with warranties. If they don't work properly, the consumers have recourse to the manufacturer.) *Television programs don't come with warranties; the station assumes all the risk, even if the show fails.*

The station and rep programmers approach the determination of need by first looking at the performance of the existing schedule and identifying trouble spots, including individual programs and entire dayparts. For example, three out of the four programs from 4 to 6 P.M. may be performing quite well, but one may be a weak link and therefore a candidate for replacement. In another situation, the entire 4 to 6 P.M. schedule might be performing poorly and need to be replaced, perhaps including a switch from one program type to another, such as from talk shows to reality and magazine shows.

Analyzing Selection Options

Once a need to replace a program has been established, a replacement must be selected. Programmers have six basic options at this point. Think baseball, for the alternatives are analogous in both television and baseball.

- **Do nothing at all.** If a station or a baseball team is trailing, it's sometimes best to leave the lineup unchanged, hoping for an improved performance or a mistake by the competition. Sometimes there's no alternative because the bench strength is either depleted or no better than the current players, so no stronger players or programs can be substituted.
- **Change the batting (or programming) lineup.** Swap the lead-off hitter with the cleanup batter, or swap a morning program with an afternoon show, or reverse the order of the two access shows. (There are many more examples.)
- **Go to the bench** for a pinch hitter or go to the inventory of programs "on the shelf" (already owned by the station but not currently on the schedule) for a replacement show.
- **Hire a new player** or buy a new show.
- **Send the player to the minors** or switch stations, but *only* if a company owns two stations *in the same market.*
- **Do not renew the player's contract** when it expires, and do not renew the program contract. This is no immediate remedy, but at least the station is no longer on the hook when the current contract expires.

Let's look at each option in greater detail.

1. Do Nothing

Although a time period may be in trouble, sometimes nothing can be done to improve the situation. The station may not own any suitable replacement shows. Other shows already on the air might be swapped, but the station and rep programmers might feel that such a swap would hurt another daypart (perhaps a more important daypart) or that the other program might not be competitive in the target time period. Then, too, potential replacement shows available from syndicators may be perceived as no improvement over existing programming, or they might be too expensive. Often, increasing promotion can help the show "grow." Finally, the programmers may decide to leave the schedule intact because it may take time for viewers to "find" the show and form a viewing habit. The rep may research the performance of the program in other markets to see whether the program is exhibiting growth. Sometimes the only choice is to do nothing at all.

2. Swap Shows

The second alternative is to change the batting order. Generally, the station and rep programmers look first at the station's entire program schedule to see whether the solution might be as simple as swapping time periods for two or more shows already on the air. Often a program originally purchased for one time period can improve an entirely different time period when moved.

In most cases, syndicators are delighted when a station moves a show from a time period with a lower HUT level to one with higher HUTs. *A higher HUT level means a higher rating, even if share stays the same or drops slightly.* For syndicators selling barter time in a program, higher ratings in individual markets contribute to a higher national rating, which translates into higher rates charged by the syndicator to the barter advertiser.

For a station, however, such a move may also mean paying higher license fees to the syndicator. In the case of *first-run* programs, syndicators often make *tier* or *step deals* with stations. At the time the deal is made, stations and syndicators agree on price levels for different dayparts, with higher prices for dayparts that have higher HUT/PUT levels and thus more potential viewers available. One price is agreed upon for morning time periods, a higher price for early fringe, and perhaps a still higher price for access. Four-tier agreements, which may also include late night, are not uncommon. Moving a program from one daypart to another triggers a change in license fee. It is to the station's advantage to negotiate a step deal to avoid a potentially expensive program playing in a low-revenue time period.

Step deals are relatively rare for off-network programs, which generally have a single license fee level priced by the syndicator that is based on the revenue potential of the daypart in which it is presumed the program will play. Thus, when a station buys an off-network sitcom or hour-long action-adventure show for access or early fringe, the price the station pays remains the same over the life of the contract. If the show is a ratings failure in access or early fringe and must be moved to a less lucrative morning or late-night time period, the station's financial obligation to the syndicator remains unchanged. Thus, a station can find itself with a very expensive "morning program," a daypart of significantly lower revenue potential than early fringe or access (meaning that the program may cost the station far more than the time period can generate in advertising income).

If the station buys an expensive off-network show that later is downgraded to a time period with lower HUT levels, the station may experience some discomfort in its bottom line (low profitability or a loss), but the consequences are generally not disastrous. If, however, the station buys several expensive shows that do not perform and must be moved to time periods with lower advertising rates, the economic impact can be quite serious. Because of the relatively long license terms of off-network shows (typically three to four years), a station may not recover for years when several such "mistakes" are made.

Depending on the program and how the contract is structured regarding stripping or weekend runs, it may be possible to move a Monday to Friday program from a weekday schedule to the weekend. Generally this is not possible with first-run strip programs (such as talk or court shows), which are designed for a five-day run, but the strategy may be possible with some off-network shows, particularly older sitcoms that are purchased on a per-episode basis.

3. Substitute Shows

The third alternative is to go to the bench for a pinch hitter. Programmers have a responsibility to manage existing products and at the same time remain competitive. It's not always necessary to spend more money to buy a new program. Sometimes the station already owns the solution to a problem. A simple swap of programs already on the air may not be the best answer. A station with strong bench strength may have enough programs "in the dugout" to replace a failing show in a competitive manner. Corporate accountants like this sort of solution because it does not add to a station's expenses, and it uses existing products that must be paid for whether or not they air.

The station and rep programmers look at the strengths and weaknesses of the shows on the shelf, which generally have aired before. They must ask some questions at this point. How well did these shows work? Have they rested long enough to return at their previous performance level, and if not, is their reduced level still superior to the current program's performance? Are the shows dated? Will they look "old"? Are the potential replacement shows suitable for the time period? Are they compatible with the other programs in the daypart? Are they competitive? Are they cost-effective? Do they appeal to the available demographic?

4. Buy New Shows

If the first three solutions have been examined and rejected, the programmers at the station and the rep generally consider purchasing a program. Because an added expense is involved whenever a purchase is made, the programmers must determine whether a new program will be superior to an existing show, and if so, whether it will be strong enough to offset the additional cost.

Although expense is a consideration in any programming decision, programmers as well as corporate and station management should always keep in mind one very important factor: *They must keep the station competitive*. Remember, their job is to deliver the largest mass audience with the strongest demographics. Although they must always keep an eye on the bottom line and therefore program in a cost-effective manner, a false economy will result from trying to avoid expense if the result would be to lose even more revenue. If ratings decline, eventually revenue will also decline.

Instead, programmers must balance expense against returns, determining the ratings potential and projected revenue when deciding whether a new purchase is practical and, if so, how much the station can afford. The rep's research can help project the future performance of a program, whether it is already on a station's schedule or will be a future acquisition. Anticipated performance plays a large role in determining the purchase price.

5. Switch Stations

When two stations in the same market are commonly owned, the contracts may have been negotiated to allow some programs to run on either station. Sometimes a program can take on a new life and appear fresher when switched from one station to another. Sometimes a program will become a better fit in the "other" station's lineup because of other program acquisitions or changes made to either or both stations. And sometimes it's just prudent to put a weakening program on the weaker of the two commonly owned stations to reduce the negative impact on the stronger station's performance. While in baseball the team might send a struggling player to its farm club, in television this works *only* in a situation where two stations in the same market are commonly owned, and the show can be put into the schedule of the other, presumably weaker station.

6. Don't Renew

Most companies own only one station in a market, and therefore, when a program is performing poorly, that station is stuck with it. Unlike baseball, where a player can be literally traded to another team run by a different owner, this is generally not possible in television during the term of the program contract. At contract renewal time, the current station may, in effect, turn a program into a "free agent" by not renewing it; the syndicator can then try to sell it to another station in the market. Moreover, unless the incumbent station has a contractual right to meet or beat any offers from competing stations, the syndicator may elect to sell the show to a different station for its next cycle anyway, because the other station is stronger, can offer a better time period, is willing to pay more money, or offers to pick up additional programming from the syndicator if it takes the program in question. Sometimes, stations will *warehouse* (store unused) programs to prevent competitors from getting them.

Revenue Potentials

Based on a program's ratings and the sales department's estimate of *cost per point* (the number of dollars advertising agencies or advertisers are willing to pay for each rating point the station delivers), programmers can determine the amount of money the station can pay for a show. It works like this: *A rating point equals 1 percent of the television households in a market.* If there are 500,000 television households in market A, a rating point represents 5,000 households (HH). A show that receives a 15 rating in market A would deliver 75,000 households (5,000 HH per rating point × 15 rating points = 75,000 HH). Let's say that market B has 250,000 households. By a similar calculation, a 15 rating in market B would represent 37,500 households. Likewise, a 15 rating in market C with only 100,000 households would represent just 15,000 households viewing the program. This simple arithmetic illustrates the point made earlier in the "Deal Points" section that programs generally are sold at a higher price in larger markets than in smaller ones. *Thus, even at the same rating, the larger the market, the larger the number of viewers. Conversely, the smaller the market, the fewer the viewers. And the amount of revenue a station can expect varies accordingly by market size, as does the license fee for the program.*

Advertising agencies pay a certain amount for each thousand households, called *cost per thousand* (*CPM*). Let's say the agency assigns a $5 CPM. A 15 rating in market A would be valued at $375 for a 30-second commercial ($5 CPM × 5,000 HH per rating point ÷ 1,000 = $25 per point, then × a 15 rating = $375).

Let's say the station is considering a half-hour, off-network sitcom cut for six local commercial minutes and sold with six available runs over four years. (While the program may actually be cut for 6:30, including a 30-second barter spot, the general manager and program director at the station and the rep are concerned only with the six minutes that are available for sale to the station and rep.) The six commercial minutes in each episode translate to twelve 30-second spots per day. Revenue potential is calculated by multiplying the projected rate per spot at the anticipated rating by the number of commercials to give a gross revenue potential. The gross is now netted down (reduced) to allow for commissions paid by the station to salespeople, reps and advertising agencies. At a 15 percent commission rate, the station nets 85 percent of the gross. The net is now netted down again to a projected *sellout rate* (the number of spots actually sold over the course of a year is generally less than the number available). Most stations use a conservative 80 percent sellout rate for planning purposes; if they actually sell more than 80 percent of the available time, that's all to the good, and to the bottom line. This final revenue figure is called the *net net*. The calculation per episode would look like this:

$ 375	rate per 30-second commercial
×12	30-second commercials
$4,500	gross per day
×.85	net revenue level (after 15% commission)
$3,825	net per day
×.80	sellout rate
$3,060	net net per day

The $3,060 is the daily income the station can expect to generate during the current year for each run of the program.

To compute what the show would generate when it goes on the air, the station and rep sales managers inform programmers of the potential rate for all future years the show will be available. A typical increase in cost per point from year to year might run from as low as 3 percent to as high as 12 percent depending on inflation and local market economy. Using figures supplied by sales, programmers use this formula to project the net net revenue potential of the program over the life of the show. In this calculation, they also revise the rate based on the show's ratings delivery. A program that produces a 15 rating in its first run might be moved by its fifth and sixth runs (because it can be expected to weaken as it is repeated) to a time period with lower HUT levels, such as late night, and may generate only a 5 rating. Therefore, although CPMs are increasing, the lower rating will bring down the spot rate, lowering the revenue potential for the program in that run.

Let's look at a simplified example of the complete calculation. We'll assume the program is available two years from now. There will be 130 episodes of six runs each (780 total runs) over four years. The station plans to trigger the episodes as soon as the contract starts, running five episodes a week for three years, with no hiatus, until all 780 runs are exhausted. Coincidentally, this will take exactly three years (5 days/week × 52 weeks = 260 days per year ÷ 780 total runs = 3 years).

The various calculations of the revenue potential for each individual episode are shown in 6.8. The percentage rate increases are estimated by sales. This year and next year are the two years between the time the station buys the show and the time it goes on the air. Years 1, 2 and 3 are the years in which all runs will be taken. The years are not necessarily calendar years; generally they begin in September with the start of the new season or the program's availability date.

Now that we've figured the revenue potential per run of each episode as shown in 6.8, it's easy, based on projected usage, to compute the total revenue potential for each episode over the life of the contract.

But we're not quite done. Now let's figure how much the station can pay per episode. Stations assign percentage ranges in three areas: program purchase cost, operating expense and profit. Program purchase cost may run as low as 20 to 30 percent of total revenue for an affiliate, which gets most of its programming from the network, to as high as 50 percent for an independent, which must purchase

6.8

Run 1, Year 1	$3,439.44
Run 2, Year 1	3,439.44
Run 3, Year 2	1,945.34
Run 4, Year 2	1,945.34
Run 5, Year 3	1,313.76
Run 6, Year 3	1,313.76
Total net net revenue per episode	$13,397.08

or create all of its programming. Let's use a median figure of 40 percent for our example in 6.9.

With a total revenue projection of $13,397.08 per episode, the station using a 40 percent program cost figure would estimate the price per episode at $5,358.83. Because nobody figures so closely (that is, to the exact dollar), a range of $5,000 to $5,500 per episode would be a reasonable working figure. Multiplying these figures by 130 available episodes would establish a total investment of $650,000 to $715,000 for the program. The station would certainly try to negotiate a lower cost for the show but might be willing to go higher, even considerably higher, depending on how badly the station needed the program or if it perceived that the show was important to the station's image (to viewers and advertisers) and to its competitive position.

Unfortunately for the station, syndicators perform the same calculations. They generally quote a purchase price significantly higher than the station wishes to pay. In our example, knowing that the station could expect to make as much as $20,000

6.9 Calculation of Revenue per Episode

$5.00	current CPM	*Year 1:* Runs 1 & 2 of each episode in access at 15 rating.
×1.05	(5% increase estimate)	
$5.25	CPM next year	
×1.07	(7% increase estimate)	*Year 2:* Runs 3 & 4 of each episode in early fringe at 8 rating.
$5.62	CPM Year 1 of show	
×1.06	(6% increase estimate)	*Year 3:* Runs 5 & 6 of each episode late night at 5 rating.
$5.96	CPM Year 2 of show	
×1.08	(8% increase estimate)	
$6.44	CPM Year 3 of show	

Year1		**Year 2**		**Year 3**	
$5.62	CPM	$8.96	CPM	$6.44	CPM
×5000	households	×5000	households	×5000	households
1000		1000		1000	
$28.10	Cost per point	$29.80	Cost per point	$32.20	Cost per point
×15	rating	×8	rating	×5	rating
$421.50	rate	$238.40	rate	$161.00	rate
×12	Commercials	×12	Commercials	×12	Commercials
$5,058.00	Gross	$2,860.80	Gross	$1,932.00	Gross
×.85	net revenue	×.85	net revenue	×.85	net revenue
$4,299.30	Net	$2,431.68	Net	$1,642.20	Net
×.80	sellout	×.80	sellout	×.80	sellout
$3,439.44	Net Net per run	$1,945.34	Net Net per run	$1,313.76	Net Net per run

in the access-time period if all six runs of each episode ran in access, but not knowing that the station might plan to take some runs in early fringe and late night, the syndicator might ask $10,000 to $15,000 per episode. The station might want to pay $3,000 to $4,000 but expect to pay $5,000 to $6,000 per episode and go as high as $7,500 if it really needed the show.

Obviously, the two parties have to reach a middle ground or the show will either be sold to another station in the market or go unsold to any station. And now the fun begins—negotiation.

Negotiation

Syndicators sell most programs to stations through good old-fashioned negotiation. Generally, the syndication company "opens a market" by pitching the program to all stations in the market. The pitch will be the same to every station in the terms and conditions of the deal (episodes, runs, years, availability date, price, barter split, payment terms) but may differ subjectively depending on the stations' perceived needs, strengths, weaknesses and programming philosophy. The syndicator will try to determine or create a need at each station with the hope that several will make an offer. In this ideal situation, the syndicator will be able to select which station receives the show based on the following considerations:

- Highest purchase price offered (if cash or cash-plus-barter)
- Size of down payment
- Length of payout
- Ability to make payments
- Best time period (particularly important to the syndicator for shows containing barter time)
- Strength of station
- Most compatible adjacent programming

Often the syndicator receives no offers initially but may have one or two stations as possible prospects. Negotiations may continue for weeks or even months, with syndicator and station each making concessions. The station may consider paying a higher price than originally planned or may agree to also purchase another program. The syndicator may lower the asking price or may increase the number of runs and years (if possible). The station may raise the down payment, and the syndicator may allow the station to pay out over more time. Negotiation is basic horse trading.

Bidding

Some syndicators of hit off-network programs have sold their programs by confidential bid to the highest bidder in the market rather than through negotiation. Here is how bids work. The syndicator opens half a dozen or so markets in a week. Each station receives a complete pitch, including research data, terms and conditions. Financial terms are *omitted* during the pitch. After several days, when all stations have been pitched, the syndicator faxes all stations simultaneously, revealing the syndicator's lowest acceptable price and certain other financial details. Stations are given a few days, perhaps 72 or 96 hours, to bid on the program. Bids from each station in the same market are due simultaneously so that no station has a time advantage over another. The syndicator analyzes the bid price, the amount of down payment offered, and other financial terms to determine the highest bidder. The highest bidder wins the program, pure and relatively simple.

The rep programmer usually becomes involved in advising client stations during the bidding process. Syndicators notify the reps of the markets coming up for bid, and the reps immediately notify their respective client stations. The reps provide their usual research analyses of the program's performance, coupled with their subjective views of how well the show will play in syndication and in the client's lineup. While the reps advise the stations whether or not to bid, it is ultimately the station's decision (with corporate approval) whether or not to bid and how much to offer. The reps frequently project the rating and help clients determine the amount of the bid if a bid is to be made.

Perhaps most important, the reps track *reserve prices* (asking prices) and reported or estimated selling prices in other markets. The rep programmer informs the client of these pricing trends to help the station determine a *bidding price* based on previously paid prices in similar markets. The rep also informs the client of down-payment percentages and payout terms in other markets, which serve as a guide to successful bidding.

Bidding is a fairly simple, clear-cut procedure for syndicator and station alike. There is no messy, drawn-out negotiation. The syndicator makes only one trip to the market, not repeat visits over many weeks or months. The sale can be accomplished quickly if there is a bidder at an acceptable price. Competition between stations is established, often turning into a frenzied escalation of prices by stations reaching ever deeper into their piggy banks to be sure they acquire the must-have program. And the syndicator generally achieves prices far in excess of the amounts that might be realized through negotiation. *But bidding works only for the must-have shows that are truly megahits.* An atmosphere of anticipation has to preexist, and stations must have a strong desire to own the program.

Stations generally dislike bidding. It often forces them to pay more than they normally would. In a negotiation, station management usually gets a feel for the degree of competing interest and the syndicator's minimum selling price. In a bidding war, stations get little sense of the competition for the show. A station may be the only bidder, in which case it bids against itself. It may also bid substantially more than any other bidder, a waste of money. In this situation, each station works in the dark, which can be unsettling. However, stations realize that if they want to be in the ball game for a bid show, the syndicator not only owns the bat and ball but also makes the rules.

Payment

Payment for programming takes one of three basic forms: *cash, barter* or *cash-plus-barter*. Payout arrangements vary and are usually negotiated.

Cash and Amortization

Cash license fees are paid as money (rather than in airtime, as with barter). In most cases, cash deals are like house mortgages or auto loans. An initial down payment is generally made at the time the contract is signed, followed by installment payments over a set period of time. The down payment is generally a comparatively small portion of the total contract amount, perhaps 10 or 15 percent. The remaining payments are triggered when the station begins using the program, or at a mutually agreed-upon date, either of which may be a month or two or several years after the contract is signed. If the contract is for a relatively short amount of time or a low purchase price, the payments will be made over a short period of time. A one-year deal may have 12 equal monthly payments, and a six-month deal may be paid in only two or three installments; however, a five-year contract may be paid out over three years in 36 equal monthly payments, beginning when the contract is triggered. No payments would be due in years four or five of the contract.

When stations buy programs for cash, whether negotiated or bid, they pay out the cash to the syndicator on an agreed-upon schedule, but they allocate the cost of the program against their operating budget via an amortization schedule. *Amortization* is an accounting principle wherein the total cost of the program is allocated as an operating budget expense on a regular (monthly) basis over all or a portion of the term of the license. Thus, stations control and apportion operating expenses to maintain a profit margin. Amortization does not affect the syndicator or the amount paid to the syndicator (payout).

Depending on the intended method of airing the program, amortization may be taken at regular weekly or monthly intervals or as the runs are actually used. In the case of programs intended to be played week in, week out without hiatus (such as most first-run and some off-network shows), amortization is taken every week or month without exception. This allows a station to predict its ongoing program costs, but it does not allow the station to avoid those costs should it remove the program from its schedule.

Alternatively, for most off-network shows and feature films, the show or movie is expensed (amortized) as runs are taken of the individual episodes or titles. The amount amortized each week or month will vary depending on the number of runs used. If a station must reduce operating expenses, it can do so by *resting* (placing on hiatus) a program or running less expensive movie titles. Conversely, in a period of strong revenues, a station can *play off* (run) more expensive shows or movies. In this manner, a station can control its operating costs to a degree. If, however, a station does not play off all the episodes before the end of the contract, it may find itself with unamortized dollars that have to be expensed. Thus, amortization can be a double-edged sword, and the programming executive has to be a bit of an accountant as well as a creative programmer.

Amortization Schedules

Amortization schedules differ from station to station, depending on corporate policy. Some stations use different schedules for different program types or planned usages. The two most widely used amortization schedules are *straight-line* and *declining-value.*

Straight-line amortization places an equal value on each run of each episode. If a program cost a station $10,000 per episode for five runs of each episode, straight-line amortization would be computed by dividing the five runs into the $10,000 cost per episode, yielding an amortized cost per run of $2,000 (20 percent of the purchase price, in this case). If the station had negotiated more runs at the same per-episode license fee, the cost per run would decline. For example, had the station purchased eight runs for $10,000, the straight-line amortized cost would be $1,250 per run. The lower amortized cost would reduce the station's operating budget by $750 each time the show is run. On a five-day-a-week strip over 52 weeks (260 runs in a year), the $750-per-run savings would total $195,000, a sizable amount. (Thus, it is important to negotiate well to get as many runs as possible.) The station would still pay the syndicator the full $10,000 per episode, multiplied by the total number of episodes.

With *declining-value amortization*, each run of an episode is assigned a different value on the premise that the value of each episode diminishes each time it airs. Thus, the first run may be expensed at a higher percentage of total cost than is the second run, and the second run may be expensed higher than the third run, and so forth. A typical declining-value amortization schedule for five runs of a program might look like this:

First run	40 percent
Second run	30 percent
Third run	20 percent
Fourth run	10 percent
Fifth run	0 percent

If we compared the same program under straight-line and declining-value amortization systems, operating expenses would be as follows:

	Straight-line	Declining-value
First run	$2,000 (20%)	$4,000 (40%)
Second run	2,000 (20%)	3,000 (30%)
Third run	2,000 (20%)	2,000 (20%)
Fourth run	2,000 (20%)	1,000 (10%)
Fifth run	2,000 (20%)	(0%)
Total	$10,000 per episode	$10,000 per episode

In both schemes, the total amortized amount over the five runs is the full per-episode cost of the program. In the straight-line method, the station expenses each run (or "charges" itself) equally, even though the show's performance may decline as more runs are taken of each episode. An advantage of this method is that the initial run or runs are comparatively inexpensive, especially if the show performs well. A disadvantage is that the final run is just as expensive as the first run, even though the show's popularity may have faded and the ratings declined.

Under the declining-value method, the bulk of the amortization is taken on the initial runs, when the ratings would presumably be at their highest. Relatively few dollars would remain to be expensed in the final runs. In this example, 70 percent of the program's cost is taken in the first two runs under the declining-value system, but only 40 percent is taken for the same two runs straight-lined. If the show falls apart in the ratings after two or three runs, the station using the declining-value method has already put most of its financial obligation behind it, but the station using straight-line amortization has the bulk of the expense still to come.

In the example, using the declining-value method amortizes all the expense of each episode over the first four runs. Because stations sometimes fail to use all the available runs of a program, the fifth run at no charge can be quite helpful to a station. If the run is not taken, there is no charge against the show as there would be in the straight-line system. (Not all declining-value amortization schedules provide free runs; some companies place some value even on the final run, which serves to reduce the expense on the earlier runs, at least slightly.)

The straight-line system is frequently used to amortize first-run shows that are expensed on a weekly basis and generally run no more than twice per episode. *The declining-value system is often used for off-network programs and feature films* that are generally expensed on a per-run basis and are sold with 5 to 10 runs per episode or film.

Finally, amortization is only an internal allocation of dollars against usage. It does not change the payout of the license fee to the syndicator. The program may be fully run and amortized before payout is completed, or the station may continue taking runs of the show for years after the payout to the syndicator is complete, with the amortization of the episodes allowing the expense against the operating budget to be delayed until the programs are actually run. When all episodes are fully amortized and all payments made to the syndicator, the final dollars expensed in both amortization and payout will be identical.

Barter and Cash-Plus-Barter

The second payment method is *barter*. Barter is a fairly simple payment system. The station agrees to run national commercials sold by the syndicator in return for the right to air the program. No money changes hands. The syndicator makes all of its money from the sale of commercials to national advertisers, and the station gives up some of the commercial time it or its rep would have had to sell. A typical straight barter deal might give half of the advertising time within a program to the syndicator, with the other half available for station sale. For example, a half-hour program with six minutes of available commercial time might allocate three minutes to the syndicator and three minutes to the station.

Cash-plus-barter means exactly what the name suggests. Part of the license fee is paid in cash, albeit a lower cash license fee than if the show were sold for straight cash, and part of the license fee is given by the station to the syndicator as commercial time, which the syndicator sells to national advertisers. A typical cash-plus-barter deal for a half-hour show might be a cash license fee plus one minute of commercial time (1:00 national) for the syndicator, with the station retaining five-and-a-half minutes (5:30 local) for its own sale.

Barter can be both a blessing and a curse. On the plus side, barter can be a way of reducing cash expense at a station. In some cases, especially for untried and unproven first-run shows, stations may be more willing to give up commercial airtime than to spend money. If a syndicator takes three minutes of commercial time within a half-hour show and the station receives three minutes, the syndicator has received 50 percent of the available commercial time, and the station retains 50 percent. As you saw earlier, stations generally figure 30 to 50 percent of their revenue goes to programming expense, so barter may seem expensive. But because stations are rarely 100 percent sold out and may average only an 80 to 90 percent sellout over a year, the barter time the station gives up really represents only 30 to 40 percent of revenue potential.

Because most syndicated programs today contain some barter time, barter can be problematic. Some stations embrace barter so they don't have to spend real money. Others dislike it because commitments to many shows with heavy barter loads mean significantly less time for the station to sell, hence less revenue. A typical barter deal could result in as much as half of the commercial inventory not being available to the station to sell. Also, the station may not want to give its time to a third party to sell, often at lower rates than the station itself is charging, because the syndicator is selling many markets as a package.

Regardless of a station's feelings regarding barter, it has no choice about whether to pay cash or give up barter airtime for a show. The syndicator determines the payment terms, not the station. The station's only option is whether to run the program. If it doesn't like the terms, it doesn't have to clear the show.

Barter and cash-plus-barter are used primarily for the sale of first-run programs and the first syndication cycle of off-network programs because barter is an effective way for syndicators to maximize revenues to fully cover production and distribution costs. Producing first-run shows is generally expensive, and stations are often unwilling to pay sufficiently high license fees for untried first-run programs. The syndicator's other choice is to cover production and distribution costs by bartering a program. By combining cash payment and several barter commercials a day in the first syndication cycle of an off-network program, the syndicator can maximize revenue while allowing the station to spend less actual money than if the program were sold for cash only. Older off-network sitcoms, action hours and dramas are generally sold for straight cash with no barter because production costs have already been covered and demand for these programs is less.

Even though clearance in every market in the country is the goal, the syndicator must sell the show to stations in enough markets to represent at least 70 to 80 percent of all U.S. television households. Based on this minimum figure, the syndicator projects a national rating and, using a national cost per point, determines a rate for each 30-second commercial. The syndicator then attempts to sell all the national time in the show to national advertisers at, or as close as possible to, the determined rate. The syndicator tries to clear the show in the strongest time periods on the strongest stations to achieve the highest rating. The ratings from all markets clearing the show are averaged to produce a national rating that will, it is hoped, equal or exceed the projected rating. If the syndicator can get the 70 to 80 percent national clearance, sell all the spots at or near the rate card price, and deliver the rating promised to advertisers, the syndicator will make money, and the show will stay on the air. If not, the syndicator will likely lose money, and the show might not be renewed.

In an effort to increase the rating and therefore the revenue potential, some syndicated programs are run twice during the same week. For example, a program that runs Monday through Friday during prime access and averages a 5 rating may be rerun the same night during the overnight hours (between 1:00 and 5:00 A.M.), where it might average a 1 rating. The prime-access 5 rating and the overnight 1 rating can be added together to *cume* a 6 rating. This cumed (or cumulative) rating is considered unduplicated viewing because most people would not watch the same program twice the same day. Thus, the program has a cumed rating of 6, which is 20 percent higher than the 5 it achieved in prime access. A 20 percent higher rating can translate into 20 percent more revenue, which could represent significant money during the course of a year to the syndicator.

Although no standardized ratio of national-to-local commercial time exists, half-hour straight barter shows typically range from two minutes national/four minutes local (generally expressed as 2:00N/4:00L) to as much as 3:30N/3:30L. Hour-long barter shows typically contain from 3:30N/10:30L to as much as 9:00N/5:00L. A one-hour cash-plus-barter program would typically be cut in the ranges from 2:00N/12:00L to 3:30N/10:30L, plus that would be the cash payment. The amount of national barter time the syndicator can withhold depends on the perceived demand for and strength of the program and the ability of the syndicator's station sales force.[5]

Cable and Syndication

Broadcast syndicators have found cable networks to be a ready and growing market for programs. Instead of sending a large sales force to call on three to eight stations in each of the 210 local markets to sell a program in syndication, that same program is frequently sold to a national cable network in a single deal. Often the cable price exceeds what might be made in broadcast syndication. Also, sales staff salaries and travel expenses are saved. With more potential customers needing to fill 168 hours a week of airtime, cable syndication has become an extremely lucrative marketplace.

More recent and vintage off-network programs, not to mention new and continuing first-run programs, are available than can be fit into traditional broadcast station schedules. The huge supply of programs and reduced broadcast demand have thus forced the creation of a cable aftermarket. Some cable networks program their schedules much as independent broadcast television stations once did, stripping off-network shows and movies (for example, USA's *Law & Order: Special Victims Unit* followed by a feature film) and vintage programs. Others buy failed network or syndicated programs at appealingly low prices because these shows either don't have enough episodes for syndication or have already failed in syndication.

A cable network can make an opportunistic purchase and program the shows effectively for its needs. Basic cable has become a hot competitive marketplace for feature films after their pay-cable and network exposure and before broadcast syndication. The same is true for off-network shows. Broadcasters' place in line is pushed further back, not nearly as central to program distribution when this chapter was first conceived. Even more disruptive has been the recent growth in online syndication, discussed previously in Chapter 4 and again later in this chapter.

To maximize revenue potential for network programs, the enduring trend has been to sell off-network rights simultaneously to both traditional broadcast stations and cable networks, with the latter bidding higher for the top shows. Although the types of deals may be limited only by the imagination and creativity of the sellers and buyers, perhaps the most common arrangement has become a weekly run on a television station (one showing of each episode) followed by a Monday through Friday strip run on a cable network. A popular and long-running program might also run simultaneously on different venues: (1) on the original broadcast network with newly produced episodes for the network, (2) weekly repeats from previous seasons on local television stations once a week, and (3) the same weekly repeats on a cable network as a strip.

Yet another arrangement is a simultaneous run of brand-new episodes on both a broadcast network and a cable network. For example, from the beginning of its network run, *Law & Order: Special Victims Unit* ran on the NBC television network with a repeat play several days later on the co-owned USA cable network.

In still another arrangement, a program may be created for a basic cable network and simultaneous first-run syndication. For example, *The Invisible Man* was created with this idea in mind, taking its first run on the Syfy Channel followed by a first-run syndication appearance of the same episode two weeks later on broadcast television stations in syndication. Somewhat similarly, *Monk* was created for initial runs on USA and at a later date was played on the traditional NBC network.

Hollywood studios command steep prices when they sell off-network shows into syndication on cable networks. Table 6.10 shows some recent prices.

Inevitably, *the once-rigid relationships of syndication, broadcast television and cable will continue to evolve and interweave, leading to new and evermore innovative marketing schemes that involve online distribution*. Just when all participants think they understand how the business works, someone invents a better (or at least different) mousetrap.

Online Syndication

Online shows fall into the same categories discussed earlier in the chapter (off-net, off-cable, first-run, movies), but the sales process is still being formed. Wrote one observer: "online video syndication is still feeling its way … there are no rules for online syndication. And while everyone agrees that syndication is the future of online video, no one knows what the field will look like in 5 or 10 years."[6]

6.10 Prices for Off-Network Program Sold to Cable Networks

Hour-longs:

Show	Cable Net	$ per episode	Year
Hawaii Five-0	TNT	2,500,000	2011
Glee	Oxygen	500,000	2010
NCIS: Los Angeles	USA	2,200,000	2009
The Mentalist	TNT	2,000,000	2009
Ugly Betty	TV Guide	200,000	2009
Bones	TNT	450,000	2008
Criminal Minds	A&E	650,000	2008
Lost	Sci-Fi/G4	200,000	2008

Half-hours:

Show	Cable Net	$ per episode	Year
Modern Family	USA	1,400,000	2010
The Big Bang Theory	TBS	1,500,000	2010
The Cleveland Show	TBS/Adult Swim	500,000	2010
30 Rock	Comedy Central	800,000	2009
Curb Your Enthusiasm	TV Guide/TV Land	600,000	2009
Entourage	Spike	600,000	2009
It's Always Sunny in Philadelphia	Comedy Central	700,000	2009
Old Christine	Lifetime	350,000	2009
How I Met Your Mother	Lifetime	750,000	2008

YouTube, Vimeo and Blip.tv are planning to develop long-form, professionally-produced, first-run programs for online streaming, and others probably have similar plans. Blip.tv embeds sponsors' ads in contributors' videos and pays a share of the revenue to those who produce the videos (especially program-length series). While not everyone who has the talent to make compelling television shows can get a broadcast or cable deal, online distributors are now positioned to obtain revenue for any producer's content that can draw an audience. Funnyordie.com, for example, is a source of satiric programming, and it attracts audiences and thus advertisers.

A decade ago, websites like Atom tried to market informally-produced videos to advertisers but failed. However, now potential audiences are much better connected to wireless computers, phones and iPad-type tablets, with much faster streaming speeds. Online viewership is projected to reach over 1.3 billion people worldwide by 2016.

Off-cable shows that went to broadcast stations, after some editing, are now sold directly to online distributors (in addition to the usual DVD sales). For example, after a six-season run of *Nip/Tuck* on the FX cable network, Warner Bros. Home Entertainment struck a syndication deal with Netflix to stream all 100 episodes of *Nip/Tuck*, as well as three other Warner Bros.-produced series, *Veronica Mars*, *Pushing Daisies* and *Terminator: The Sarah Connor Chronicles*.

DVD sales of off-cable series have been declining as more homes sign onto monthly subscriptions of streaming services like Netflix and Hulu Plus, which each charge $7.99 per month. By 2010, Netflix began offering producers $70,000 to $100,000 per off-network episode, just for streaming rights, which do not preclude syndication to other networks (except Hulu Plus, of course). It remains unclear whether Hollywood is entirely comfortable with this arrangement. Also, other companies that stream videos (Apple, Amazon, Google, YouTube) are very likely to start bidding wars for hit shows. Cable operators will likely compete with their own streaming services (TV Everywhere or Comcast's Xfinity—See Chapter 4).

At present, movies hold the strongest potential for online distribution. Netflix is the leader, streaming movies to 23 million subscribers in 2011. In contrast, YouTube streams an enormous 3 billion videos per day. And it has just begun to move to long-form content like movies. Hulu Plus also carries movies, and smaller competitors like Crackle show movies in addition to reruns of *Seinfeld. Where all this is going is pretty clear; the questions to guess at are how soon, how will it be paid for, and who owns everything.*

The International Marketplace

From the earliest days of television syndication through the late 1990s, the international syndication marketplace was fairly predictable and understandable. A program created in one country for domestic syndication, network or cable might also be sold in other countries, thus extending the revenue potential for the program. The basic syndication "rules" were pretty much the same in international syndication as in domestic. Then, as the twenty-first century approached, something entirely unforeseen happened: A totally new and exciting arena opened up, producing vast new creative and sales potential. Although the traditional international syndication market is still very active and important, new programming and marketing concepts are changing the face of the international marketplace. Let's look first at the traditional, tried-and-true international syndication realm.

The Traditional Pattern

Just as American syndicators have found multiple program sales opportunities in this country in network, syndication and cable, they have also extended the revenue potential of programs through syndication in international markets. Although most American television programs are produced in English, foreign broadcasters and cable networks find American programming very attractive. There is a worldwide appetite for things American (Mickey Mouse, Coca-Cola and McDonald's hamburgers, to name but a few); people in other nations also love American television shows and movies. Thus many, but certainly not all, American television programs find life in other countries. Often they are dubbed into another language. They may also be aired in English, either with or without subtitles, depending in part on the level of English spoken by citizens of a particular country and on the expense of dubbing or subtitling.

Even within the same country, some broadcasters may opt to dub, while others may choose to subtitle, and still others may air the program in its original language. Though policies among companies may differ for various reasons, often the expense of dubbing is the determining factor. As a matter of course, programs for young children are almost always dubbed: They can't read yet!

In many ways, the syndication process in the international marketplace is very similar to the domestic sales effort. Syndicators have websites, and salespeople send tempting emails and then visit stations and cable networks in cities throughout foreign countries. A domestic salesperson may go on the road for several days in the southwestern United States, traveling from Dallas to Albuquerque to Lubbock. Conversely, the international syndicator may go on a sales trip of several weeks, ranging throughout the Pacific Rim from Hong Kong to Tokyo to Fiji to Samoa. Although a domestic syndicator's biggest cultural problems may be regional accents and local food, the international salesperson encounters language barriers and quite different customs. Many certainly find this makes their jobs both more challenging and more interesting.

As in this country, programs are sold for various combinations of cash and barter time. The amounts of cash involved, however, are generally substantially less. The production costs of a program are usually recouped in the United States through sales to broadcast networks, local television stations